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C O N F I D E N T I A L BUDAPEST 000855

SIPDIS

DEPARTMENT FOR EUR/CE JAMIE MOORE. PLEASE PASS TO JEFF  
HOVENIER AT THE NSC

E.O. 12958: DECL: 11/29/2014  
TAGS: [PGOV](#) [PREL](#) [NATO](#) [ENGR](#) [AF](#) [HU](#)  
SUBJECT: DAS QUANRUD'S VISIT TO BUDAPEST

REF: A. BUDAPEST 847  
[B](#). BUDAPEST 845  
[C](#). STATE 120288

Classified By: Political Officer Jon Martinson, reasons 1.4 (b,d)

[1](#). (SBU) Summary. During a November 24-25 visit to Budapest, EUR DAS Pamela Quanrud met with the Prime Minister, other senior Hungarian government officials, the opposition party's senior foreign policy expert, and media representatives to discuss USG priority issues. The Prime Minister indicated that he hoped to raise in his December 4 meeting with the Vice-President: Hungarian support in Afghanistan; current budgetary challenges; energy security, and regional issues. The MFA's Political Director presented a "food for thought" proposal to strengthen the Visegrad Four-U.S. relationship, and the former, and likely-to-be, future Fidesz Foreign Minister outlined an outward-looking foreign policy if Fidesz wins the election in 2010. End Summary.

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PRIME MINISTER'S DECEMBER 4 VISIT  
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[1](#)2. (C) Prime Minister Bajnai told DAS Quanrud that he looks forward to his December 4 meeting with the Vice-President, where he will underscore the "value-based," pro transatlantic policies of his administration (ref A). The PM mentioned that he planned to raise the following areas for discussion: continuing Hungarian support for operations in Afghanistan; Hungarian acceptance of a Guantanamo detainee; the steps his government has taken in response to the economic crisis that called for enormous sacrifice of the Hungarian people; the Western Balkans; energy; and plans to meet with President Putin in the near future to discuss areas of disagreement. Bajnai specifically mentioned to DAS Quanrud that, if possible, a positive statement from the Vice-President's office on the measures taken by the Bajnai government to address the economic crisis 'would be helpful.'

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AFGHANISTAN  
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[1](#)3. (C) In DAS Quanrud's meeting with Prime Minister Bajnai (underscored in separate meetings with the PM's Foreign Policy Advisor, MOD and MFA interlocutors) Bajnai said that Hungary is waiting for the President's announcement on Afghan strategy and is ready to be as positive as possible, but the primary factor in determining the level of support will be the current economic crisis. MOD State Secretary Jozsef Bali reiterated his concerns expressed to the Charge November 24 (ref B), that Hungary will be hard pressed to increase its Afghan troop levels over the projected 450 in 2010.

[1](#)4. (C) Addressing the issue of caveats, DAS Quanrud said that

more needs to be done and allies need to step up. She asked the Hungarians to seriously consider removing caveats on their PRT and OMLT in Baghlan Province. Responding, Bali noted that, first and foremost, the question of caveats is a political issue, but there are also technical issues related to equipping Hungarian soldiers that would have to be addressed as well. MFA State Secretary and Political Director Gabor Iklody separately reconfirmed the strong Hungarian political support for operations in Afghanistan, commenting that Hungary looks forward to the President's Afghan strategy in order to determine how it can best respond and restructure its military and civilian presence in Afghanistan.

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ECONOMY - THE FIRE IS OUT; TIME TO REBUILD  
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15. (C) Assessing Hungary's current economic situation, Hungarian National Bank Governor Andras Simor told DAS Quanrud that as a result of the reforms undertaken by the Bajnai government, "the fire has been extinguished," but added that "now the house must be rebuilt." Given Hungary's reliance on economic recovery in Germany and elsewhere in Western Europe to boost Hungarian exports, Simor predicts that "Hungary will be slower to emerge from the economic crisis than most of its neighbors." That said, he noted that structural reforms enacted since the crisis have put the country on a more sustainable economic path, and could have Hungary achieving growth rates of three to four percent by 2011. For this reason, he agreed that Fidesz, the likely winner of next April's national elections, will be the primary beneficiary of the Bajnai government's reforms. Despite growing rhetoric from Fidesz leaders that Simor describes as "not very encouraging," Simor told DAS Quanrud he remains "cautiously optimistic" that the macroeconomic policy of a Fidesz government will not differ radically from that of the current government.

16. (C) Regarding euro adoption, both Simor and Finance Ministry State Secretary Almos Kovacs agree that the government's continued fiscal consolidation in response to the economic crisis is helping Hungary move closer to meeting the Maastricht criteria. Given Hungary's history of setting and then missing euro adoption target dates, however, Kovacs noted that the government will not set a specific target date until Hungary is close to meeting ERM-II requirements. Simor speculated that if the next government focuses on euro adoption as a priority, Hungary could join the Eurozone by 2014.

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ENERGY - BETTER THAN LAST YEAR  
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17. (C) The Prime Minister's Security and Foreign Policy Advisor, David Koranyi, told DAS Quanrud that Hungary is in a better position than last year to face any potential gas shut-off from the Ukraine. Although Koranyi doubted that Russia would shut off gas supplies to the Ukraine before national elections, which in his view would "hurt pro-Russia candidates," Koranyi said that Hungary currently has a 70 day reserve and "we are much better off than last year." He stated that Hungary is also ready to help Serbia through any potential gas shutoff shortage, commenting that Prime Minister Tadic was in Budapest two weeks ago and the GOH promised to arrange a contractual agreement for such support. However, Koranyi raised concerns about Bulgaria's and Bosnia's ability to weather a winter gas cutoff and the need for a broader regional approach to address concerns.

18. (C) As such, Koranyi said that Hungary will continue its proactive engagement on energy issues in the region, planning, as the current Visegrad Four (V-4) President, an energy conference for January 2010. He said that the V-4 will also invite Croatia and Slovenia to participate. DAS Quanrud suggested that the group also invite Bulgaria and Romania, and expressed support if the V-4 requested USG

representation. During a luncheon with representatives from the four major political parties, Janos Koka, the Free Democrats' faction leader who heads Parliament's Nabucco Committee, told DAS Quanrud that he is working within the V-4 structure to establish an international Nabucco Board, and encouraged U.S. participation.

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V-4/U.S. RELATIONS  
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¶9. (C) In his meeting with DAS Quanrud, MFA Political Director Iklody presented a "food for thought" proposal to strengthen V-4-U.S. relations. The proposal contains three basic focus areas: high level contacts to include meetings between the V-4 Foreign Ministers and the Secretary; yearly structured political dialogue at the Political Directors level modeled on the U.S. Baltic and Nordic countries meetings; and closer thematic cooperation in such areas as the Western Balkans, the Eastern Neighborhood, the new NATO strategy, energy security, and seminars and conferences on the advancement of V-4-U.S. relations.

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OPPOSITION THOUGHTS  
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¶10. (C) DAS Quanrud also met with former Foreign Minister Janos Martonyi, who is expected to again serve in that capacity in the anticipated Fidesz-led government in 2010. Thanked by the DAS for Fidesz's quiet support to accept a Guantanamo detainee, Martonyi said it was the right thing to do, although he did not know why some in the party were not supportive. Turning to broader issues, Martonyi said that Hungary's transatlantic relationship is maturing and now is time, 20 years after the political transition, for the country to look outward, specifically mentioning assisting the Balkans in their integration efforts. He also suggested that Hungary needs to strengthen regional "north-south" connectivity in energy, transportation, and politically, with the V-4 providing a stronger voice for central European countries in the EU - a voice with which France and Germany "have a problem." He expressed strong support for Turkey's integration in the EU, but doubts that it will happen any time soon. On Russia, Martonyi said that, while there will be commercial relations with emphasis on transparent investments, Fidesz has redlines concerning foreign policy and intervention in internal political affairs.

¶11. (U) DAS Quanrud cleared this cable.  
LEVINE